

AMENDED MINUTES ROCKFORD POLICE PENSION BOARD MARCH 17, 2016

MEMBERS PRESENT: Jeff Nielsen, President
Marcia Mueller, V.P.
Joe Stevens, Secretary
Paul Swanberg, Assist. Secretary
Scott Laue, Trustee

ABSENT:

ALSO PRESENT: Roberta Holzwarth - Holmstrom & Kennedy
Eric Gaylord – Marquette Associates

GUESTS: Gary Gustovich – Dimensional Fund Advisors

STAFF: Linda Wlaznik, Finance
Carrie Eklund, Interim Finance Director

The March 17, 2016 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order at 8:10 a.m.

Motion by Mueller and seconded by Laue to approve the February 18, 2016 minutes of the Board meeting as amended. APPROVED.

PUBLIC COMMENT

NONE

CASH & INVESTMENT REPORT

Gaylord stated that the chance of the economy falling into another recession has dissipated. The unemployment rate remained at 4.9% for the month of February. The stock market was still volatile for the month of February; as a result most bonds performed well. The Barclays Intermediate Government Credit Index was up 0.5% and the Intermediate Government Index was also up 0.5%.

The price of oil has increased from \$27 per barrel to \$40 per barrel. The S & P was down -0.1%, Mid-Cap stocks were up and the Small-Cap stocks were mixed. The portfolio does not need to be rebalanced at this time. Cash needs are \$1.1 million for the month of March.

For the month of February the fund was up 0.3%, net of fees. Most of the gain was due to the bond portfolio. The fixed income portfolio was up 0.5%, U.S. Equity Composite was also up 0.8%. Kayne Anderson outperformed the Russell 2000 by 2.4%.

The federal government has reduced their aggressiveness for raising interest rates.

Motion by Mueller and seconded by Laue to approve withdrawal of \$300,000 from NTGI Intermediate Government Index Fund and \$800,000 from NTGI Government Mortgage Fund for cash needs. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Laue to approve purchases and sales. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

CITY BILLS

Motion by Mueller and seconded by Laue to approve March City Services of \$8,875.25. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Laue to approve February postage charges of \$268.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Laue to approve payment to Holmstrom Kennedy PC for February attorney fees for general in the amount of \$731.25. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Laue to approve payment to Holmstrom Kennedy PC for attorney fees for services regarding Susan Bubik in the amount of \$1,362.50. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

Motion by Mueller and seconded by Laue to approve payment to The Northern Trust Company for Investment management fees from January 1, 2016 through March 31, 2016 in the amount of \$5,687.72. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue
Nays: None

ATTORNEY'S REPORT

Attorney Holzwarth stated that Tim Sharpe has declined to meet and discuss the impending disciplinary issues. Attorney Holzwarth stated she spoke with the attorney for the Firefighters' Pension Fund regarding the actuarial issue. They both agreed a joint meeting is needed and recommended inviting City staff to discuss the possible disciplinary issues against Mr. Sharpe. Attorney Holzwarth recommended holding off on retaining Mr. Sharpe to prepare the actuarial report until a decision has been made. The deadline for submitting the actuarial report to the Department of Insurance is September 30. C. Eklund **thought** that the contract with Mr. Sharpe **might contain** a 30 day out clause.

The board members voiced their disappointment with Mr. Sharpe not willing to discuss the allegations made against him with the board. C. Eklund stated she would look at the contract language for termination timeframe. The board discussed going out for a request for proposal (RFP) for actuarial services. C. Eklund stated that the actuarial contract is a five year contract and not renewed annually; the City has 60 days prior to the start of the preparation of the report to agree on **assumptions**. The decision would need to be defended. C. Eklund stated that it would be hard for her to terminate a contract based on a rumor. C. Eklund stated she would speak to legal regarding the consequences of terminating Mr. Sharpe's contract. Since the contract is less than \$20,000 they are not required to go through the formal RFP process.

The members continued to voice their concerns with Mr. Sharpe's choice of the mortality table. Attorney Holzwarth stated she would like to understand if there are issues other than which mortality table he has used. The board discussed the possibility of using the Department of Insurance actuarial report. Attorney Holzwarth stated that their report is not tailored to the police pension fund. C. Eklund explained that Mr. Sharpe's calculation is based on the specific population of the City of Rockford Police Pension Fund. The Department of Insurances calculation is based on a general population of police fund participants. Mueller suggested sending out an RFP.

Motion by Mueller and seconded by Laue to approve authorizing Attorney Holzwarth to issue an RFP for actuarial services with the flexibility to include the City or Firefighters' Pension Board with detailed charges. APPROVED.

Attorney Holzwarth stated that Officer Susan Bubik has clarified the nature of her disability, which is related to the effects of chemotherapy treatment.

Attorney Holzwarth stated that she would be requesting the board approve Holmstrom Kennedy PC taking the necessary steps to be able to scan and then destroy the paper files on the disability matters.

Motion by Mueller and seconded by Laue to authorize scanning of pension files held by Holmstrom Kennedy PC and to destroy paper copies. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to hold Gulbrantson deliberation minutes of July 29, 2015 permanently confidential. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to retain remaining minutes listed on the attachment permanently confidential. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

PRESENTATION BY DIMENSIONAL FUND ADVISORS

Gary Gustovich was at the meeting to present information regarding the performance of the **Pension Fund's** portfolio with Dimensional Fund Advisors (DFA).

Dimensional Fund Advisors has a 35 year history of partnering with clients and academics to build investment solutions that outperform. **They opened** a third U.S. **office** location in Charlotte, North Carolina. The teams that manage all of the portfolios **are** listed on page 7. The International Small Cap Value Portfolio takes advantage of the size premium focusing on small cap stocks. Securities are excluded **that have** lower profitability. Managing momentum when making buying and selling decisions helps reduce turnover.

Mr. Gustovich discussed the performance of the fund. The Small Cap Value Portfolio significantly underperformed for the benchmark by approximately 3%. International Small Caps **underperformed** International Large Caps. Month-to-date the fund is up 7.3%.

Mr. Gustovich reviewed page 46, Historical Observations of Five-Year Premiums.

NEW BUSINESS

Wlaznik stated that Nielsen was the only nominee that accepted **nomination for retired trustee**. Mueller suggested getting it in writing that the other two nominees declined.

Wlaznik stated that Attorney Mezny recommended adding the personal email address of applicants to disability applications, but that it would help to add the personal email address to all applications.

PAYROLL

Motion by Mueller and seconded by Laue to approve the February actual payroll amount of \$1,309,048.88. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve the March estimated payroll amount of \$1,311,941.82. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion to adjourn was made and seconded at 10:19 a.m.

A large, stylized handwritten signature in black ink, likely belonging to a board member, is written over the bottom right portion of the page. The signature is cursive and somewhat abstract, with a long horizontal stroke at the end.